NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

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NINETEEN EIGHTY FIVE COST OF DOING BUSINESS SURVEY

AFA

COST OF DOING BUSINESS SURVEY

Prepared for —
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1900 - 19th Street
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September, 1986

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SURVEY FORM 28

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A REVIEW OF 1985

There were a record number 513 respondents to the 1985 *Cost of Doing Business Survey*. Respondents increased in every region, with the largest increase in Region 9 due to a special mailing by the California Rental Association to its members. A comparison of the replies by region for the last three years shows in Table V-3, pages 26-27.

A new breakdown of respondents by annual revenue was initiated in 1985. The two previous smallest groups were combined and the largest group was expanded to three. Information for 1983 and 1984 was reclassified for comparative purposes. The distribution of respondents by revenue groups for these three years was:

	Number of Respondents		
Revenue Group	1985	1984	1983
0 to $200,000	69	62	68
$200,001 to $500,000	177	131	142
$500,001 to $1 million	121	92	84
$1 million to $2½ million	91	59	46
$2½ million to $5 million	33	20	16
Over $5 million	22	12	7
Total Respondents	513	376	363

Tables have been revised to show only average dollars and percentages rather than aggregate dollars.

Another financial ratio, total debt to net worth, has been added to all financial data shown. This ratio is commonly known as the "leverage ratio" and measures the owners' investment in comparison with liabilities to creditors.

Figures 1 and 2 show sources of revenues and expenses for all respondents. Figures 3 and 4 show the ratio of operating profit to gross operating profit for 1983-1985 by size and for 1982-1985 by source of revenue and type of equipment rented.

Profitability

The profitability of rental firms in 1985 dropped from 1984 to a level slightly above that of 1983. Return on investment, before taxes, decreased to 20.2 percent in 1985 from 24.5 percent in 1984. Pretax return on total assets was 9.3 percent in 1985 compared to 11.5 percent in 1984. Pretax return on revenues dropped to 6.5 percent in 1985 from 8.1 percent in 1984.

Profitability related to size of firm. Average net income before taxes decreased in 1985 in all size categories except the largest. The following table compares these averages for the last three years:

Size of Firm	Average Pretax Earnings		
(Revenues)	1985	1984	1983
0 to $200,000	$ 2,840	$ 6,140	$ 4,650
$200,001-$500,000	24,560	29,110	22,020
$500,001-$1 million	47,930	57,980	40,010
$1 million-$2½ million	101,800	136,060	119,380
$2½ million-$5 million	184,770	286,520	195,960
Over $5 million	622,090	544,390	458,690
All Respondents	$ 76,780	$ 79,300	$ 51,360

Return on investment was highest in the largest sized firms at 25.7 percent. Return on total assets was also highest in the largest sized firms (10.8 percent) followed closely by the firms in the $200,001 to $500,000 size category (10.3 percent).

Profitability related to source of revenues. Return on investment (20.2 percent) was the same for firms having over 70 percent of revenues from rentals and those deriving less than 70 percent from rentals. This percentage is considerably less than in 1984 in both categories. The firms with over $5 million in total revenues showed the best return on investment in both categories at 25.7 percent for the rental-oriented firms and 25.9 percent for the sales-oriented firms. The next highest return (23.2 percent) was from firms with revenues of $200,001 to $500,000 in the over 70 percent rental category, while the second highest in the less than 70 percent rental category was the $500,001 to $1 million revenue category (23.8 percent).

Profitability related to type of equipment rented. Return on investment (ROI) increased slightly for the medical-party respondents from 24 percent in 1984 to 24.9 percent in 1985. This led the other two categories, which showed decreases in ROI for 1985. Construction and industrial firms dropped to 21.4 percent in 1985 from 25.2 percent in 1984; and general rental firms dropped to 16.3 percent in 1985 from 23.4 percent in 1934, a 30 percent decrease.

Profitability related to regions. Firms in three regions registered an improvement in return on investment (ROI) over 1984. These were the Northeast, Region 1; the Pacific, Region 9; and Canada, Region 10. The largest relative increase was 15.3 percent in the Northeast region. The highest ROI was recorded in Canada at 33 percent. The most dramatic decrease was in the Northwest, Region 8, from a 26.5 percent ROI in 1984 to a 7.4 percent ROI in 1985. Sizable decreases were also recorded in the Eastern, Southeast, Midwest and Rocky Mountain regions.

Expenses

Labor costs (salaries, wages and benefits) reversed the downward trend of the last three years by increasing slightly to 37.3 percent of gross operating profit in 1985 compared to 37.1 percent in 1984, 38.2 percent in 1983 and 39.7 percent in 1982. The 1985 increase was due solely to an increase in benefits. Larger increases were recorded in depreciation, from 14.3 percent of gross operating profit in 1984 to 15.3 percent in 1985; in insurance, from 2.7 percent to 3.2 percent; and in shop supplies and expense, from 2.9 percent in 1984 to 3.8 percent in 1985. The highest labor costs as a percent of gross operating profit were in the $500,001-$1 million revenue category at 39.8 percent.

Medical-party firms had the highest labor costs as a percent of gross operating profit in 1985 at 42.9 percent. The ratio of labor costs to gross operating profit in 1985 was highest in the Northeast region at 45.1 percent for 1985. The lowest percent was in the Southwest region at 33.6 percent.

Financial Condition

The net worth of all respondents decreased from 47.2 percent of total assets in 1984 to 46.2 percent in 1985. The current ratio dropped slightly from 1.43 to one in 1984 to 1.35 to one in 1985; but the acid test ratio (also known as the "quick asset ratio") dropped from .89 to one in 1984 to .79 to one in 1985. Average collection days for accounts receivable remained at 37 days in 1985. The leverage ratio of total liabilities to net worth increased to 1.16 to one in 1985 from 1.12 to one in 1984 and 1.03 to one in 1983.

Definitions of all ratios are shown in the table of financial data for all respondents on page 4.

Other Financial Indicators

Rental revenues to net rental investment (after accumulated depreciation) decreased from 2.03 times in 1984 to 1.90 times in 1985; and rental revenues to equipment cost decreased from .88 times in 1984 to .83 times in 1985.

Cost of sales as a percentage of merchandise and equipment sales rose from 75.4 percent in 1984 to 76.5 percent in 1985.

Other Information

A description of the major rental categories used and an explanation of some of the major classifications of income, expense and balance sheet items are shown on the last two pages. These were taken from the survey form used to collect the data.

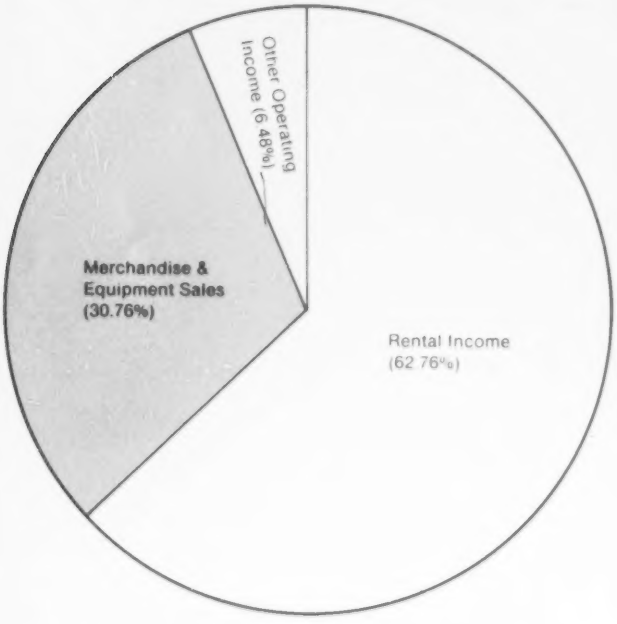


FIGURE 1: SOURCES OF REVENUE, 513 RESPONDENTS, 1985

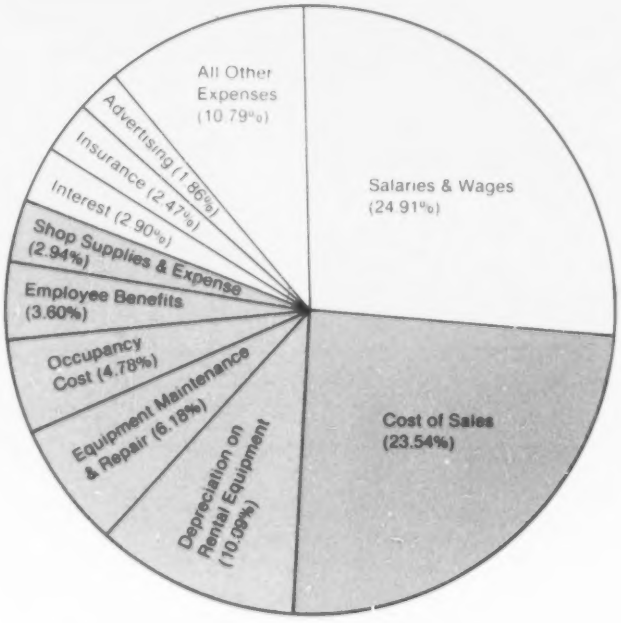
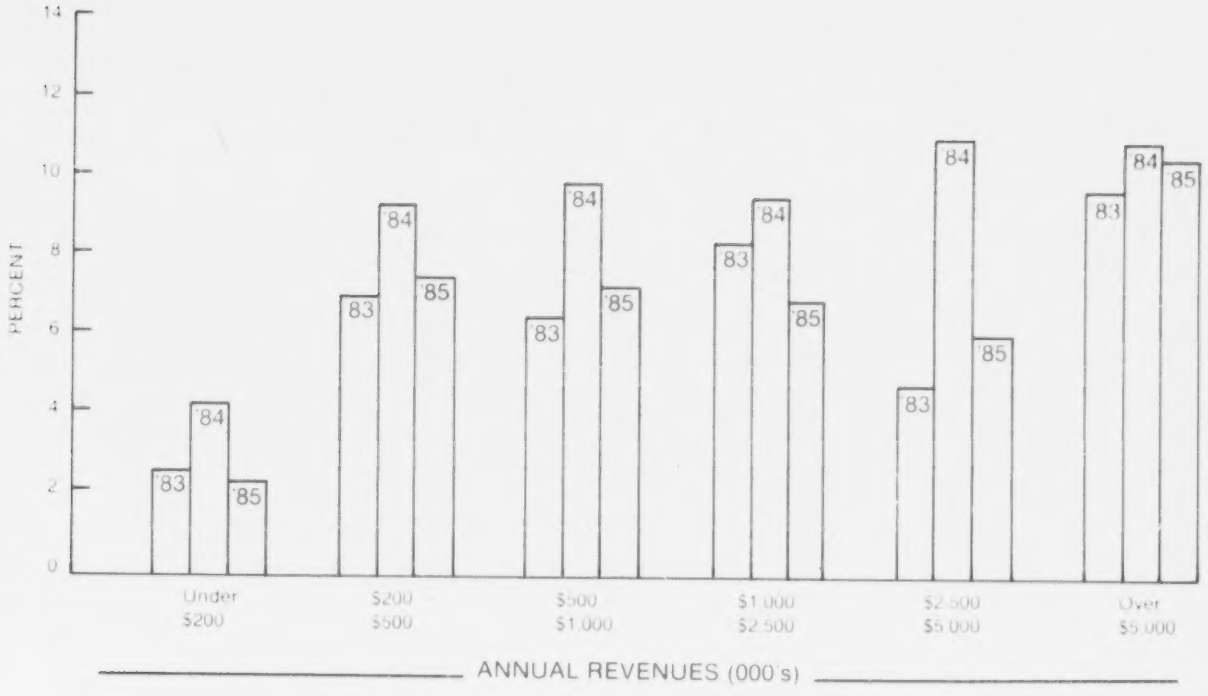
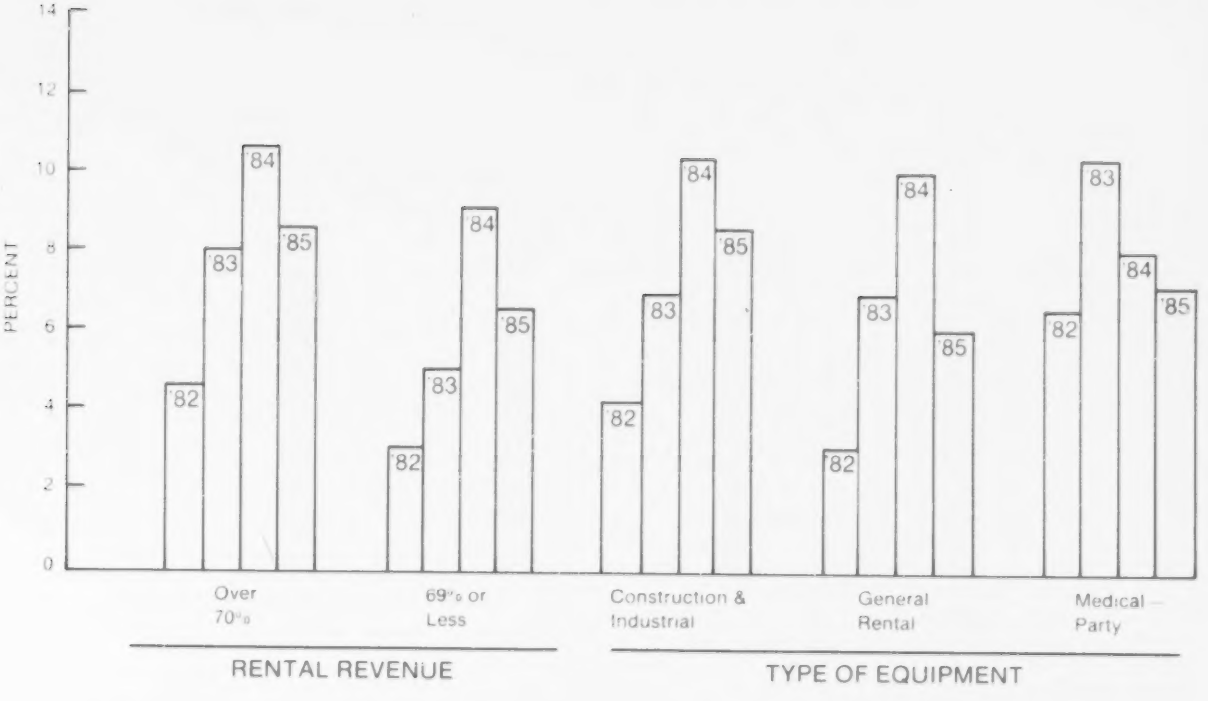


FIGURE 2: MAJOR EXPENSE CATEGORIES, 513 RESPONDENTS, 1985


PERCENT
14
12
10
8
6
4
2
0
'83
'84
'85
Under $200
$200 – $500
$500 – $1,000
$1,000 – $2,500
$2,500 – $5,000
Over $5,000
ANNUAL REVENUES (000's)


PERCENT
14
12
10
8
6
4
2
0
'82
'83
'84
'85
Over 70%
69% or Less
RENTAL REVENUE
Construction & Industrial
General Rental
Medical – Party
TYPE OF EQUIPMENT

SECTION 1. FINANCIAL DATA FOR ALL RESPONDENTS

The 513 responding firms had average revenues of $1,174,684 up twenty percent from the $975,572 reported in 1984.

Key financial ratios for 1985 and three prior years are shown below.

FINANCIAL RATIOS	1985	1984	1983	1982
CURRENT RATIO (current assets ÷ current liabilities)	1.35	1.43	1.42	1.42
ACID TEST RATIO (cash, marketable securities and accounts receivable ÷ current liabilities)	.79	.89	.89	.78
TOTAL DEBT TO NET WORTH (total liabilities ÷ net worth)	1.16	1.12	1.03	1.15
RETURN ON INVESTMENT (net income before taxes ÷ net worth)	20.2%	24.5%	17.9%	11.4%
RETURN ON TOTAL ASSETS (net income before taxes ÷ total assets)	9.3%	11.5%	8.8%	5.3%
RETURN ON REVENUES (net income before taxes ÷ revenues)	6.5%	8.1%	6.4%	3.9%
AVERAGE COLLECTION PERIOD (accounts receivable ÷ average daily revenues)	37 days	37 days	35 days	32 days
PROFITS ON RENTAL INVESTMENT (net income before taxes ÷ net rental equipment)	19.8%	25.0%	19.3%	12.0%
TOTAL REVENUES TO RENTAL INVESTMENT (total revenues ÷ net rental equipment)	3.03 times	3.08 times	3.03 times	3.12 times
RENTAL REVENUES TO RENTAL INVESTMENT (rental income ÷ net rental equipment)	1.90 times	2.03 times	2.09 times	2.05 times
RENTAL REVENUES TO EQUIPMENT COST (rental income ÷ cost of rental equipment)	.83 times	.88 times	.83 times	.85 times

Shown below is a table containing the ratio of major expenses and net operating profit to gross operating profit for all respondents.

PERCENTS OF GROSS OPERATING PROFIT:				
Salaries & Wages	32.6%	32.6%	33.7%	34.9%
Employee Benefits	4.7	4.5	4.5	4.8
TOTAL	37.3	37.1	38.2	39.7
Depreciation (All)	15.3	14.3	15.3	14.7
Occupancy Cost	6.3	6.8	6.7	6.7
Equipment Maintenance & Repair	8.1	8.3	8.0	7.5
Interest	3.8	3.9	4.0	5.2
Advertising & Promotion	2.4	2.6	2.8	2.7
Insurance	3.2	2.7	2.8	3.3
Shop Supplies & Expense	3.8	2.9	2.9	3.9
OPERATING PROFIT	7.8	9.9	7.0	3.9

Table I-1 reports income and expense percentages on an aggregated basis for all firms responding in 1981 through 1985. Table I-2 contains more detail on expenses, and Table I-3 presents balance sheets percentages for the five years.

TABLE I-1. SUMMARY OF INCOME AND EXPENSE, ALL RESPONDENTS

Income & Expense Categories	1985 Percent of Total Income	1984 Percent of Total Income	1983 Percent of Total Income	1982 Percent of Total Income	1981 Percent of Total Income	Insert Your Own Percents Here
Rental Income	62.76	65.83	68.96	65.49	63.25	
Merchandise & Equipment Sales	30.76	28.42	25.44	27.75	29.39	
Other Operating Income	6.48	5.75	5.60	6.77	7.36	
Total Operating Income	100.00	100.00	100.00	100.00	100.00	
Less Cost of Sales	23.54	21.44	19.72	20.70	22.06	
Gross Operating Profit	76.46	78.56	80.28	79.30	77.94	
OPERATING EXPENSES:						
Salaries & Wages	24.91	25.63	27.08	27.66	26.04	
Employee Benefits & Taxes	3.60	3.55	3.64	3.78	3.60	
Equipment Maintenance & Repair	6.18	6.55	6.42	5.97	6.07	
Shop Supplies & Expense	2.94	2.28	2.32	3.10	3.37	
Occupancy Cost	4.78	5.34	5.39	5.30	4.77	
Bad Debts Expense	0.89	1.05	0.79	0.82	1.03	
Office Supplies & Expenses	1.10	1.07	1.16	1.14	0.93	
Associations & Travel Expense	0.68	0.70	0.68	0.62	0.66	
Legal & Accounting	0.73	0.80	0.77	0.84	0.90	
Telephone & Other Communications	0.85	0.83	0.96	0.93	0.79	
Automobile & Truck Expense	1.60	1.68	1.84	2.08	1.77	
Insurance	2.47	2.09	2.25	2.61	2.68	
Advertising & Promotion	1.86	2.02	2.21	2.14	2.00	
Other Taxes	0.99	0.96	1.08	1.02	1.09	
Interest	2.90	3.03	3.25	4.12	4.42	
Franchise Fees	0.06	0.27	0.30	0.30	0.27	
Depreciation, Non-Rental Equipment	1.64	1.55	1.74	1.66	1.50	
Other Operating Expenses	2.25	1.65	2.22	2.09	1.55	
TOTAL OPERATING EXPENSES	60.41	61.05	64.10	66.17	63.46	
Operating Profit Before Rental Depr.	16.05	17.51	16.17	13.13	14.48	
Depreciation on Rental Equipment	10.09	9.70	10.52	10.02	10.24	
OPERATING PROFIT	5.95	7.82	5.65	3.11	4.25	
Other Income & Expense (Net)	0.58	0.31	0.72	0.74	0.76	
NET INCOME BEFORE INCOME TAXES	6.54	8.13	6.37	3.85	5.01	
NUMBER OF RESPONDENTS	513	376	363	381	329	

NOTE: Due to rounding, percentages may not add to the one-hundredth of a percent.

TABLE I-2. EXPENSES AS A PERCENT OF GROSS OPERATING PROFIT

EXPENSE CATEGORIES	1985	1984	1983	1982	1981	Insert Your Own Percents Here
GROSS OPERATING PROFITS	100.00	100.00	100.00	100.00	100.00	
EXPENSES:						
Salaries & Wages	32.58	32.63	33.74	34.88	33.41	
Employee Benefits & Taxes	4.71	4.52	4.53	4.76	4.62	
Equipment Maintenance & Repair	8.09	8.33	7.99	7.53	7.79	
Shop Supplies & Expense	3.84	2.90	2.89	3.91	4.33	
Occupancy Cost	6.25	6.80	6.72	6.68	6.13	
Bad Debt Expense	1.16	1.33	.98	1.04	1.32	
Office Supplies & Expense	1.44	1.37	1.45	1.43	1.19	
Association & Travel Expense	.89	.89	.85	.78	.85	
Legal & Accounting	.95	1.02	.95	1.06	1.16	
Telephone & Other Communications	1.11	1.06	1.19	1.17	1.01	
Auto & Truck Expense	2.09	2.14	2.29	2.62	2.27	
Insurance	3.23	2.66	2.81	3.30	3.43	
Advertising & Promotion	2.44	2.57	2.76	2.70	2.57	
Other Taxes	1.29	1.22	1.34	1.28	1.40	
Interest	3.79	3.86	4.05	5.19	5.67	
Franchise Fees	.07	.34	.38	.37	.35	
Depreciation—Non-Rental Equipment	2.14	1.97	2.17	2.09	1.93	
Other Operating Expenses	2.94	2.10	2.76	2.64	1.99	
Depreciation—Rental Equipment	13.20	12.34	13.10	12.63	13.13	
OPERATING PROFIT	7.79	9.95	7.04	3.92	5.45	

TABLE I-3. SUMMARY OF BALANCE SHEETS, ALL RESPONDENTS

	1985 Percents	1984 Percents	1983 Percents	1982 Percents	1981 Percents	Insert Your Own Percents Here
CURRENT ASSETS:						
Cash	5.68	7.68	8.09	6.16	5.67	
Accounts Receivable (Net)	14.41	14.27	13.05	11.92	13.42	
Merchandise Inventories	10.92	9.94	9.91	12.14	10.82	
Marketable Securities	0.90	0.69	0.87	1.14	1.74	
Prepaid Expenses	1.61	1.20	1.25	1.65	1.91	
Supplies Inventory	0.44	0.35	0.24	0.43	0.40	
Other Current Assets	2.20	2.10	1.65	1.55	1.67	
Total Current Assets	36.16	36.23	35.06	35.00	35.62	
Rental Equipment—Net Book Value	47.12	46.11	45.58	44.15	45.61	
Other Fixed Assets—Net Book Value	13.81	14.52	15.73	16.43	14.38	
Total Fixed Assets	60.93	60.64	61.31	60.58	59.99	
Other Assets	2.91	3.13	3.64	4.42	4.39	
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	
CURRENT LIABILITIES:						
Accounts Payable	6.87	7.49	6.70	6.02	5.91	
Current Notes Payable	13.66	11.54	10.35	12.34	13.91	
Contracts Payable	1.09	1.05	1.98	1.10	2.14	
Customers' Rental Deposits	0.22	0.18	0.30	0.28	0.26	
Accrued Expenses	1.95	2.43	2.68	2.28	2.57	
Taxes Payable	1.55	1.49	1.56	1.20	1.29	
Other Current Liabilities	1.38	1.16	1.09	1.39	0.76	
Total Current Liabilities	26.73	25.34	24.66	24.62	26.84	
Long-Term Debt	24.78	24.65	23.62	26.55	27.16	
Other Liabilities	2.26	2.85	2.47	2.31	2.86	
Total Liabilities	53.78	52.84	50.74	53.49	56.85	
Net Worth	46.22	47.16	49.26	46.51	43.15	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	
NUMBER OF RESPONDENTS	513	376	363	381	329	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

SECTION II. FINANCIAL DATA RELATED TO SIZE OF FIRM

Tables II-1 through II-3 present average income and expense, average balance sheet, and financial ratios for 1983-1985 for rental firms in six size categories. Figure II-1 below contains return on investment for firms in each size category for 1981 through 1985. Information for 1981 and 1982 for the three largest size categories is not available.

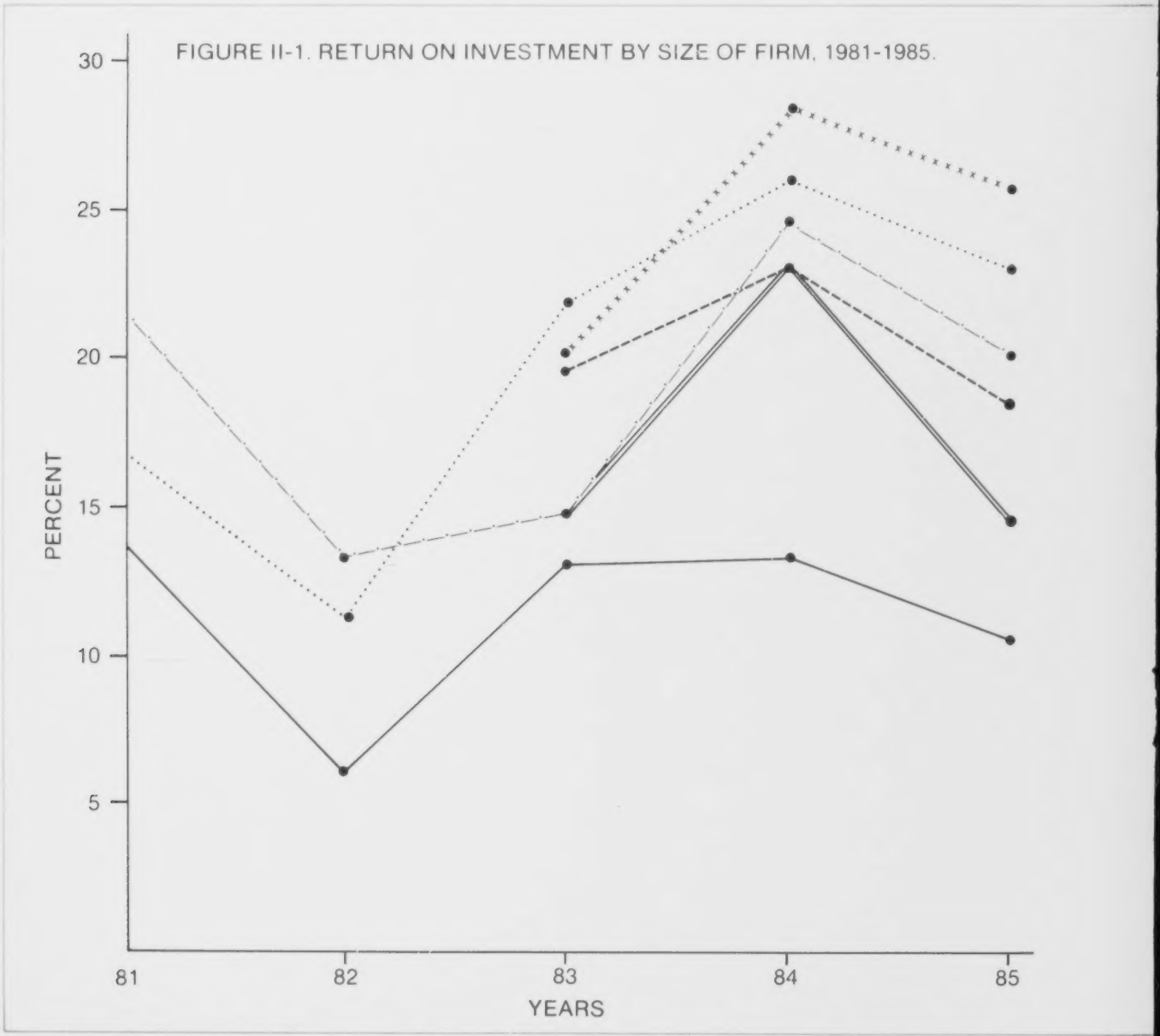


TABLE II-1. AVERAGE INCOME AND EXPENSE BY ANNUAL REVENUE, 1985

	$000—$200,000		$200,001—$500,000		$500,001—1 Mill		$1 Mill—2.5 Mill		$2.5 Mill—5 Mill		Over $5 Mill	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	107,625	80.65	255,990	77.79	504,506	71.46	1,059,315	67.97	1,936,248	54.17	4,732,662	54.81
Merchandise & Equipment Sales	17,835	13.37	55,373	16.83	166,710	23.61	377,504	24.22	1,345,330	37.64	3,429,102	39.71
Other Operating Income	7,983	5.98	17,713	5.38	34,816	4.93	121,633	7.80	292,490	8.18	473,020	5.48
Total Operating Income	133,443	100.00	329,077	100.00	706,032	100.00	1,558,453	100.00	3,574,068	100.00	8,634,784	100.00
Less Cost of Sales	12,427	9.31	37,533	11.41	119,925	16.99	267,771	17.18	1,018,235	28.49	2,813,655	32.59
Gross Operating Profit	121,016	90.69	291,544	88.59	586,108	83.01	1,290,681	82.82	2,555,832	71.51	5,821,129	67.41
OPERATING EXPENSES												
Salaries & Wages	35,533	26.63	91,755	27.88	204,752	29.00	433,803	27.84	787,653	22.04	1,871,912	21.68
Employee Benefits & Taxes	4,590	3.44	12,273	3.73	28,977	4.10	66,535	4.27	122,133	3.42	254,555	2.95
Equipment Maintenance & Repair	8,823	6.61	21,002	6.38	42,752	6.06	102,881	6.60	227,234	6.36	495,298	5.74
Shop Supplies & Expense	4,549	3.41	12,386	3.76	21,242	3.01	50,802	3.26	132,435	3.71	164,598	1.91
Occupancy Cost	13,459	10.09	23,780	7.23	41,809	5.92	77,336	4.96	137,387	3.84	319,657	3.70
Bad Debts Expense	471	0.35	1,456	0.44	3,959	0.56	17,589	1.13	31,857	0.89	87,561	1.01
Office Supplies & Expenses	2,537	1.90	4,438	1.35	9,414	1.33	21,266	1.36	32,268	0.90	70,393	0.82
Associations & Travel Expense	1,377	1.03	3,307	1.00	5,884	0.83	10,618	0.68	19,736	0.55	48,830	0.57
Legal & Accounting	1,419	1.06	3,323	1.01	7,617	1.08	10,174	0.65	20,303	0.57	54,488	0.63
Telephone & Other Communications	2,356	1.77	3,853	1.17	6,466	0.92	12,531	0.80	26,977	0.75	66,240	0.77
Automobile & Truck Expense	2,844	2.13	5,952	1.81	8,377	1.19	26,385	1.69	42,049	1.18	162,812	1.89
Insurance	5,967	4.47	11,998	3.65	21,761	3.08	46,388	2.98	64,692	1.81	152,001	1.76
Advertising & Promotion	4,639	3.48	10,208	3.10	18,418	2.61	31,356	2.01	51,839	1.45	105,089	1.22
Other Taxes	1,466	1.10	3,665	1.11	7,656	1.08	18,934	1.21	30,240	0.85	71,477	0.83
Interest	5,207	3.90	11,716	3.56	20,386	2.89	44,982	2.89	97,998	2.74	237,555	2.75
Franchise Fees	463	0.35	999	0.30	542	0.08	228	0.01	1,154	0.03	0	0.00
Depreciation, Non-Rental Equipment	2,673	2.00	6,661	2.02	12,383	1.75	26,490	1.70	60,356	1.69	118,097	1.37
Other Operating Expenses	2,679	2.01	4,497	1.37	8,628	1.22	28,838	1.85	152,186	4.26	176,072	2.04
TOTAL OPERATING EXPENSES	101,053	75.73	233,270	70.89	471,023	66.71	1,027,137	65.91	2,038,497	57.04	4,456,637	51.61
Operating Profit Before Rental Depr	19,963	14.96	58,274	17.71	115,085	16.30	263,544	16.91	517,336	14.47	1,364,492	15.80
Depreciation on Rental Equipment	17,004	12.74	36,460	11.08	72,527	10.27	174,307	11.18	361,482	10.11	755,434	8.75
OPERATING PROFIT	2,959	2.22	21,814	6.63	42,558	6.03	89,237	5.73	155,853	4.36	609,059	7.05
Other Income & Expense (Net)	-124	-0.09	2,747	0.83	5,372	0.76	12,565	0.81	28,915	0.81	13,035	0.15
NET INCOME BEFORE INCOME TAXES	2,835	2.12	24,561	7.46	47,930	6.79	101,802	6.53	184,769	5.17	622,093	7.20

TABLE II-2. AVERAGE BALANCE SHEETS BY ANNUAL REVENUE, 1985

	$000—$200,000		$200,001—$500,000		$500,001—1 Mill.		$1 Mill —2 5 Mill		$2 5 Mill —5 Mill.		Over $5 Mill	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS												
Cash	7,886	6 80	18,840	7 88	37,646	7 40	74,411	6 83	146,549	5.75	178,084	3 10
Accounts Receivable (Net)	5,074	4 38	18,918	7 92	49,740	9 78	152,145	13 96	330,815	12 98	1,193,986	20 76
Merchandise Inventories	8,297	7 16	17,575	7 35	49,952	9 82	90,104	8 27	325,301	12 76	789,400	13 73
Marketable Securities	250	0 22	3,900	1 63	4,745	0 93	15,797	1 45	32,514	1 28	349	0 01
Prepaid Expenses	1,169	1 01	3,353	1 40	5,090	1 00	18,514	1 70	38,954	1 53	114,814	2 00
Supplies Inventory	1,503	1 30	482	0 20	2,161	0 43	2,110	0 19	13,319	0 52	35,054	0 61
Other Current Assets	2,379	2 05	4,854	2 03	13,694	2 69	28,608	2 62	70,223	2 76	76,366	1 33
Total Current Assets	26,558	22 90	67,923	28 42	163,029	32 06	381,689	35 01	957,675	37 58	2,388,053	41 53
Rental Equipment—Net Book Value	60,261	51 97	117,522	49 18	242,194	47 63	554,424	50 86	1,242,189	48 74	2,408,029	41 87
Other Fixed Assets—Net Book Value	23,278	20 07	45,755	19 15	82,566	16 24	133,983	12 29	297,787	11 68	750,830	13 06
Total Fixed Assets	83,539	72 04	163,277	68 33	324,761	63 87	688,406	63 15	1,539,976	60 43	3,158,860	54 93
Other Assets	5,859	5 05	7,763	3 25	20,660	4 06	20,086	1 84	50,814	1 99	203,702	3 54
TOTAL ASSETS	115,956	100 00	238,963	100 00	508,449	100 00	1,090,181	100 00	2,548,465	100 00	5,750,615	100 00
CURRENT LIABILITIES												
Accounts Payable	6,401	5 52	10,420	4 36	31,255	6 15	76,087	6 98	132,457	5 20	527,894	9 18
Current Notes Payable	13,872	11 96	25,326	10 60	54,480	10 71	126,097	11 57	448,256	17 59	877,176	15 25
Contracts Payable	966	0 83	1,292	0 54	3,669	0 72	22,496	2 06	14,553	0 57	59,869	1 04
Customers' Rental Deposits	360	0 31	801	0 34	1,463	0 29	2,053	0 19	1,957	0 08	15,380	0 27
Accrued Expenses	776	0 67	2,102	0 88	9,729	1 91	22,098	2 03	43,879	1 72	144,557	2 51
Taxes Payable	1,453	1 25	3,345	1 40	7,696	1 51	14,620	1 34	31,887	1 25	115,486	2 01
Other Current Liabilities	923	0 80	5,394	2 26	7,997	1 57	5,558	0 51	24,387	0 96	114,134	1 98
Total Current Liabilities	24,752	21 35	48,679	20 37	116,289	22 87	269,010	24 68	697,377	27 36	1,854,495	32 25
Long-Term Debt	59,356	51 19	75,620	31 65	138,086	27 16	243,199	22 31	533,698	20 94	1,389,521	24 16
Other Liabilities	4,843	4 18	7,593	3 18	15,893	3 13	23,796	2 18	54,585	2 14	90,057	1 57
Total Liabilities	88,950	76 71	131,892	55 19	270,267	53 16	536,006	49 17	1,285,660	50 45	3,334,074	57 98
Net Worth	27,006	23 29	107,071	44 81	238,182	46 84	554,176	50 83	1,262,804	49 55	2,416,541	42 02
TOTAL LIABILITIES & NET WORTH	115,956	100 00	238,963	100 00	508,449	100 00	1,090,181	100 00	2,548,465	100 00	5,750,615	100 00

TABLE II-3. FINANCIAL RATIOS BY REVENUE CATEGORY, 1983-1985

Financial Ratio	$000—$200,000			$200,001—500,000			$500,001—1 Mill.			$1 Mill.—2.5 Mill.			$2.5 Mill.—5 Mill.			Over $5 Mill.		
	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Current Ratio	1.07	1.20	1.05	1.39	1.38	1.42	1.40	1.60	1.84	1.42	1.36	1.35	1.37	1.51	1.35	1.29	1.39	1.35
Acid Test Ratio	.53	.62	.54	.86	.82	.83	.79	.94	1.18	.90	.86	.85	.73	1.02	.91	.74	.86	.81
Debt to Net Worth Ratio	3.29	1.81	2.22	1.23	1.27	1.38	1.13	.98	.79	.97	.88	.81	1.02	1.04	1.10	1.38	1.51	1.17
Return on Investment (expressed in percentages)	10.5	13.2	13.1	22.9	25.9	21.8	20.1	24.5	14.9	18.4	23.1	19.5	14.6	23.1	15.1	25.7	28.5	20.2
Return on Total Assets (expressed in percentages)	2.4	4.7	4.1	10.3	11.4	9.1	9.4	12.4	8.3	9.3	12.3	10.8	7.3	11.3	7.2	10.8	11.3	9.3
Return on Revenues (expressed in percentages)	2.1	4.6	3.5	7.5	8.4	6.7	6.8	8.3	5.7	6.5	8.9	8.0	5.2	11.2	5.2	7.2	7.5	6.6
Average Collection Period (Days)	14	23	18	21	23	20	26	26	29	36	31	32	34	47	45	50	51	48
Profits on Rental Investment (expressed in percent)	4.7	9.9	8.3	20.9	24.1	18.9	19.8	25.1	18.0	18.4	23.7	21.6	14.9	24.6	16.0	25.8	31.0	25.9
Total Revenues to Rental Investment	2.2	2.2	2.4	2.8	2.9	2.8	2.9	3.0	3.2	2.8	2.7	2.7	2.9	3.1	3.1	3.6	4.1	4.0
Rental Revenues to Rental Investment	1.8	1.7	1.9	2.2	2.2	2.2	2.1	2.1	2.3	1.9	2.0	2.0	1.6	1.8	1.9	2.0	2.3	2.2
Rental Revenues to Equipment Cost	.8	.9	.8	.9	.9	.8	.9	.9	.9	.8	.8	.8	.7	.8	.8	.9	1.0	.9
PERCENTS OF GROSS OPERATING PROFIT:																		
Salaries & Wages	29.4	29.9	31.3	31.5	32.0	33.0	34.9	32.7	36.3	33.6	33.1	33.4	30.8	30.9	33.2	32.2	34.2	32.7
Employee Benefits	3.8	3.1	4.3	4.2	4.0	4.2	4.9	4.6	5.0	5.2	4.4	4.6	4.8	5.1	4.0	4.4	4.7	4.8
Total	33.2	33.0	35.6	35.7	36.0	37.2	39.8	37.3	41.3	38.8	37.5	38.0	35.6	36.0	37.2	36.6	38.9	37.5
Depreciation (All)	16.3	13.8	17.2	14.8	14.4	14.7	14.5	14.7	13.6	15.6	15.0	16.5	16.5	16.0	15.2	15.0	11.6	16.0
Occupancy Cost	11.1	10.4	9.7	8.2	8.1	8.2	7.1	6.8	7.5	6.0	6.3	5.6	5.4	5.7	5.8	5.5	7.0	6.2
Equipment Maintenance & Repair	7.3	7.8	6.5	7.2	7.7	7.8	7.3	7.6	7.0	8.0	9.1	8.5	8.9	8.1	8.4	8.5	8.6	8.6
Interest	4.3	5.7	5.8	4.0	4.4	4.0	3.5	3.7	3.2	3.5	3.5	3.4	3.8	3.8	5.0	4.1	3.9	4.8
Advertising & Promotion	3.8	3.8	4.0	3.5	3.1	3.5	3.1	3.0	3.0	2.4	2.5	2.5	2.0	2.1	2.1	1.8	2.2	2.4
Insurance	4.9	3.3	3.3	4.1	3.0	3.4	3.7	3.0	3.2	3.6	3.0	3.1	2.5	2.0	2.2	2.6	2.2	1.6
Shop Supplies & Expense	3.8	3.6	2.9	4.2	3.1	1.4	3.6	3.2	2.8	3.9	3.1	3.4	5.2	2.8	3.3	2.8	2.2	1.3
OPERATING PROFIT	2.4	4.3	2.6	7.5	9.3	7.0	7.3	9.8	6.5	6.9	9.5	8.4	6.1	11.0	4.8	10.5	10.9	9.7

SECTION III. FINANCIAL DATA RELATED TO SOURCE OF REVENUES

The table below compares key financial ratios for firms deriving most of their revenues from rentals vs. those recording significant sales.

Tables III-1 and III-2 contain income and expense and balance sheet data for rental firms in the two categories. Tables III-3 through III-6 present similar data by size of firm in these two groups.

	Over 70 Percent Revenue From Rentals				69 Percent Or Less Revenue From Rentals			
Financial Ratio	1985	1984	1983	1982	1985	1984	1983	1982
Current Ratio	1.31	1.44	1.48	1.31	1.39	1.42	1.34	1.53
Acid Test Ratio	.93	1.04	1.08	.90	.64	.71	.64	.66
Debt to Net Worth Ratio	.89	.95	.85	1.01	1.77	1.52	1.62	1.42
Return on Investment	20.2%	24.7%	18.4%	12.6%	20.2%	23.9%	16.0%	9.1%
Return on Total Assets	10.7%	12.6%	10.0%	6.3%	7.3%	9.5%	6.1%	3.8%
Return on Revenues	8.4%	9.8%	7.8%	5.0%	4.3%	5.7%	3.7%	2.4%
Average Collection Period (Days)	36	35	33	27	37	40	38	38
Profits on Rental Investment	19.7%	24.1%	20.0%	12.4%	20.0%	27.8%	17.0%	11.2%
Total Revenues to Rental Investment (Times)	2.3	2.4	2.6	2.5	4.6	4.9	4.6	4.6
Rental Revenues to Rental Investment (Times)	2.0	2.0	2.1	2.1	1.8	2.1	2.0	1.9
Rental Revenues to Equipment Cost (Times)	.86	.88	.83	.87	.77	.88	.82	.80
PERCENTS OF GROSS OPERATING PROFIT:								
Salaries & Wages	31.6	31.0	33.0	34.0	34.4	36.0	35.7	36.4
Employee Benefits	4.7	4.3	4.5	4.9	4.8	4.9	4.6	4.6
Total	36.3	35.3	37.5	38.9	39.2	40.9	40.3	41.0
Depreciation (All)	16.4	15.3	16.0	15.2	13.4	12.3	13.4	13.8
Occupancy Cost	6.6	7.2	7.0	7.0	5.7	6.0	6.1	6.0
Equipment Maintenance & Repair	8.8	9.1	8.5	8.3	6.9	6.7	6.8	6.1
Interest	3.4	3.5	3.6	4.7	4.5	4.7	5.2	6.2
Advertising & Promotion	2.4	2.5	2.7	2.8	2.4	2.8	2.8	2.6
Insurance	3.1	2.7	3.0	3.4	3.4	2.6	2.4	3.1
Shop Supplies & Expense	4.1	3.1	2.7	3.5	3.4	2.5	3.5	4.7
OPERATING PROFIT	8.5	10.5	7.9	4.5	6.5	8.8	4.8	3.0
NUMBER OF RESPONDENTS	359	260	270	271	154	116	93	110

TABLE III-1. INCOME AND EXPENSE BY SOURCE OF REVENUE, 1985

	REVENUE FROM RENTALS		
	Over 70 Percent	Under 70 Percent	Insert Your Own Percents
	Percents	Percents	Here
Rental Income	83.77	38.53	
Merchandise & Equipment Sales	11.45	53.04	
Other Operating Income	4.78	8.43	
Total Operating Income	100.00	100.00	
Less Cost of Sales	7.69	41.83	
Gross Operating Profit	92.31	58.17	
OPERATING EXPENSES:			
Salaries & Wages	29.15	20.02	
Employee Benefits & Taxes	4.31	2.78	
Equipment Maintenance & Repair	8.09	3.99	
Shop Supplies & Expense	3.75	2.00	
Occupancy Cost	6.07	3.29	
Bad Debts Expense	1.15	0.59	
Office Supplies 7 Expenses	1.22	0.97	
Associations & Travel Expense	0.66	0.70	
Legal & Accounting	0.90	0.53	
Telephone & Other Communications	0.92	0.77	
Automobile & Truck Expense	1.80	1.37	
Insurance	2.87	2.00	
Advertising & Promotion	2.26	1.41	
Other Taxes	1.08	0.88	
Interest	3.15	2.60	
Franchise Fees	0.09	0.01	
Depreciation, Non-Rental Equipment	1.95	1.28	
Other Operating Expenses	1.90	2.65	
TOTAL OPERATING EXPENSES	71.31	47.85	
Operating Profit Before Rental Depr.	21.00	10.33	
Depreciation on Rental Equipment	13.18	6.53	
OPERATING PROFIT	7.82	3.80	
Other Income & Expense (Net)	0.62	0.54	
NET INCOME BEFORE INCOME TAXES	8.44	4.34	
NUMBER OF RESPONDENTS	359	154	

TABLE III-2. BALANCE SHEETS BY SOURCE OF REVENUE, 1985

	REVENUE FROM RENTALS		
	Over 70 Percent	Under 70 Percent	Insert Your Own Percents
	Percents	Percents	Here
CURRENT ASSETS:			
Cash	6.48	4.46	
Accounts Receivable (Net)	12.63	17.13	
Merchandise Inventories	3.62	22.07	
Marketable Securities	1.08	0.62	
Prepaid Expenses	1.64	1.56	
Supplies Inventory	0.42	0.47	
Other Current Assets	2.70	1.44	
Total Current Assets	28.58	47.76	
Rental Equipment—Net Book Value	54.10	36.44	
Other Fixed Assets--Net Book Value	14.24	13.15	
Total Fixed Assets	68.35	49.59	
Other Assets	3.08	2.65	
TOTAL ASSETS	100.00	100.00	
CURRENT LIABILITIES:			
Accounts Payable	5.26	9.34	
Current Notes Payable	10.48	18.52	
Contracts Payable	0.82	1.50	
Customers' Rental Deposits	0.26	0.16	
Accrued Expenses	1.68	2.37	
Taxes Payable	1.50	1.64	
Other Current Liabilities	1.67	0.94	
Total Current Liabilities	21.67	34.47	
Long-Term Debt	23.42	26.87	
Other Liabilities	2.08	2.55	
Total Liabilities	47.17	63.89	
Net Worth	52.83	36.11	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	
NUMBER OF RESPONDENTS	359	154	

TABLE III-3. AVERAGE INCOME AND EXPENSE FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1985

	$000—$200,000		$200,001—$500,000		$500,001—1 Mill		$1 Mill—2.5 Mill		$2.5 Mill—5 Mill		Over 5 Mill	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	118,837	84.83	271,296	83.28	584,933	82.20	1,296,074	83.25	2,935,384	83.22	7,684,325	86.29
Merchandise & Equipment Sales	15,131	10.80	38,536	11.83	93,569	13.15	180,029	11.56	418,447	11.86	839,585	9.43
Other Operating Income	6,122	4.37	15,928	4.89	33,077	4.65	80,663	5.18	173,602	4.92	381,636	4.29
Total Operating Income	140,090	100.00	325,760	100.00	711,579	100.00	1,556,766	100.00	3,527,433	100.00	8,905,546	100.00
Less Cost of Sales	10,287	7.34	25,244	7.75	65,474	9.20	118,153	7.59	297,185	8.42	534,029	6.00
Gross Operating Profit	129,803	92.66	300,517	92.25	646,104	90.80	1,438,613	92.41	3,230,248	91.58	8,371,517	94.00
OPERATING EXPENSES												
Salaries & Wages	38,799	27.70	94,463	29.00	226,204	31.79	479,235	30.78	974,748	27.63	2,369,381	26.61
Employee Benefits & Taxes	5,101	3.64	12,699	3.90	31,668	4.45	80,656	5.18	170,207	4.83	278,824	3.13
Equipment Maintenance & Repair	9,620	6.87	21,030	6.46	50,261	7.06	112,699	7.24	315,555	8.95	928,053	10.42
Shop Supplies & Expense	4,601	3.28	12,823	3.94	23,670	3.33	57,212	3.68	177,977	5.05	273,161	3.07
Occupancy Cost	14,728	10.51	24,746	7.60	46,283	6.50	87,190	5.60	204,466	5.80	442,048	4.96
Bad Debts Expense	480	0.34	1,542	0.47	4,809	0.68	20,105	1.29	49,831	1.41	149,573	1.68
Office Supplies & Expenses	2,825	2.02	4,476	1.37	9,737	1.37	21,842	1.40	34,868	0.99	79,036	0.89
Associations & Travel Expense	1,482	1.06	3,408	1.05	5,842	0.82	10,334	0.66	18,764	0.53	28,504	0.32
Legal & Accounting	1,337	0.95	3,550	1.09	8,655	1.22	11,616	0.75	28,459	0.81	68,949	0.77
Telephone & Other Communications	2,384	1.70	3,907	1.20	6,601	0.93	13,130	0.84	30,831	0.87	67,307	0.76
Automobile & Truck Expense	3,055	2.18	6,190	1.90	8,547	1.20	28,523	1.83	47,499	1.35	221,985	2.49
Insurance	5,949	4.25	12,156	3.73	24,260	3.41	47,903	3.08	78,685	2.23	177,726	2.00
Advertising & Promotion	4,803	3.43	10,210	3.13	18,360	2.58	33,548	2.16	61,947	1.76	159,976	1.80
Other Taxes	1,576	1.12	3,527	1.08	9,346	1.31	16,761	1.08	44,486	1.26	67,608	0.76
Interest	5,441	3.88	11,429	3.51	19,358	2.72	48,478	3.11	106,788	3.03	295,966	3.32
Franchise Fees	543	0.39	1,228	0.38	562	0.08	121	0.01	2,380	0.07	0	0.00
Depreciation, Non-Rental Equipment	3,118	2.23	6,532	2.01	12,905	1.81	27,399	1.76	84,747	2.40	163,507	1.84
Other Operating Expenses	2,887	2.06	4,959	1.52	7,933	1.11	23,819	1.53	65,752	1.86	285,727	3.21
TOTAL OPERATING EXPENSES	108,730	77.61	238,875	73.33	515,001	72.37	1,120,572	71.98	2,497,989	70.82	6,057,329	68.02
Operating Profit Before Rental Depr	21,073	15.04	61,642	18.92	131,103	18.42	318,041	20.43	732,259	20.76	2,314,188	25.99
Depreciation on Rental Equipment	17,481	12.48	39,205	12.04	83,769	11.77	208,402	13.39	480,394	13.62	1,298,595	14.58
Operating Profit	3,592	2.56	22,436	6.89	47,334	6.65	109,638	7.04	251,865	7.14	1,015,593	11.40
Other Income & Expense (Net)	-178	-0.13	2,715	0.83	6,843	0.96	13,440	0.86	13,235	0.38	18,235	0.20
NET INCOME BEFORE INCOME TAXES	3,414	2.44	25,152	7.72	54,177	7.61	123,078	7.91	265,101	7.52	1,033,827	11.61

TABLE III-4. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1985

	$000–$200,000		$200,001–$500,000		$500,001–$1 Mill		$1 Mill–2.5 Mill		$2.5 Mill–5 Mill		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS												
Cash	8,660	7.63	19,175	8.14	44,010	8.44	83,517	6.99	203,196	6.89	253,690	3.28
Accounts Receivable (Net)	4,397	3.87	18,979	8.06	45,537	8.73	161,803	13.55	379,231	12.87	1,361,188	17.58
Merchandise Inventories	5,179	4.56	10,502	4.46	25,153	4.82	41,746	3.50	77,435	2.63	243,203	3.14
Marketable Securities	269	0.24	3,107	1.32	4,915	0.94	22,201	1.86	45,283	1.54	0	0.00
Prepaid Expenses	1,359	1.20	3,727	1.58	5,396	1.03	25,520	2.14	46,369	1.57	130,522	1.69
Supplies Inventory	578	0.51	482	0.20	2,762	0.53	2,000	0.17	11,310	0.38	56,714	0.73
Other Current Assets	2,819	2.48	5,698	2.42	16,928	3.25	26,276	2.20	105,680	3.59	179,826	2.32
TOTAL CURRENT ASSETS	23,262	20.49	61,669	26.19	144,701	27.74	363,063	30.41	868,503	29.47	2,225,142	28.75
Rental Equipment—Net Book Value	62,520	55.07	126,457	53.70	273,981	52.53	658,289	55.13	1,685,994	57.21	4,016,206	51.88
Other Fixed Assets—Net Book Value	25,759	22.69	40,900	17.37	77,156	14.79	146,180	12.24	358,603	12.17	1,153,607	14.90
Total Fixed Assets	88,279	77.75	167,357	71.07	351,136	67.32	804,469	67.37	2,044,597	69.37	5,169,813	66.79
Other Assets	1,994	1.76	6,440	2.73	25,737	4.93	26,486	2.22	34,095	1.16	345,839	4.47
TOTAL ASSETS	113,536	100.00	235,466	100.00	521,574	100.00	1,194,018	100.00	2,947,195	100.00	7,740,793	100.00
CURRENT LIABILITIES												
Accounts Payable	4,680	4.12	10,333	4.39	20,419	3.91	70,525	5.91	113,977	3.87	554,523	7.16
Current Notes Payable	14,990	13.20	25,889	10.99	44,537	8.54	113,643	9.52	382,453	12.98	800,256	10.34
Contracts Payable	1,162	1.02	1,578	0.67	3,547	0.68	19,134	1.60	29,933	1.02	1,505	0.02
Customers' Rental Deposits	360	0.32	636	0.27	1,371	0.26	2,506	0.21	2,543	0.09	34,037	0.44
Accrued Expenses	863	0.76	1,727	0.73	7,819	1.50	23,243	1.95	65,563	2.22	134,252	1.73
Taxes Payable	1,530	1.35	3,413	1.45	7,312	1.40	16,450	1.38	43,688	1.48	134,957	1.74
Other Current Liabilities	1,109	0.98	6,575	2.79	10,932	2.10	4,814	0.40	33,978	1.15	194,032	2.51
Total Current Liabilities	24,695	21.75	50,149	21.30	95,938	18.39	250,316	20.96	672,135	22.81	1,853,562	23.95
Long-Term Debt	55,286	48.70	70,763	30.05	127,314	24.41	249,909	20.93	546,248	18.53	1,759,999	22.74
Other Liabilities	3,795	3.34	6,049	2.57	15,838	3.04	24,254	2.03	53,999	1.83	97,653	1.26
Total Liabilities	83,776	73.79	126,962	53.92	239,090	45.84	524,479	43.93	1,272,381	43.17	3,711,213	47.94
Net Worth	29,759	26.21	108,504	46.08	282,484	54.16	669,539	56.07	1,674,814	56.83	4,029,580	52.06
TOTAL LIABILITIES & NET WORTH	113,536	100.00	235,466	100.00	521,574	100.00	1,194,018	100.00	2,947,195	100.00	7,740,793	100.00

TABLE III-5. AVERAGE INCOME AND EXPENSE FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1985

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill		$1 Mill—2.5 Mill		$2.5 Mill—$5 Mill		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	54,365	53.37	189,203	55.07	341,642	49.17	729,099	46.71	995,884	27.53	3,045,998	35.92
Merchandise & Equipment Sales	30,676	30.11	128,843	37.50	314,821	45.31	652,929	41.83	2,217,691	61.30	4,908,825	57.89
Other Operating Income	16,827	16.52	25,501	7.42	38,338	5.52	178,777	11.45	404,384	11.18	525,240	6.19
Total Operating Income	101,868	100.00	343,547	100.00	694,801	100.00	1,560,805	100.00	3,617,959	100.00	8,480,063	100.00
Less Cost of Sales	22,591	22.18	91,157	26.53	230,187	33.13	476,449	30.53	1,696,870	46.90	4,116,298	48.54
Gross Operating Profit	79,278	77.82	252,390	73.47	464,614	66.87	1,084,356	69.47	1,921,088	53.10	4,363,765	51.46
OPERATING EXPENSES												
Salaries & Wages	20,017	19.65	79,940	23.27	161,310	23.22	370,437	23.73	611,563	16.90	1,587,644	18.72
Employee Benefits & Taxes	2,163	2.12	10,417	3.03	23,529	3.39	46,840	3.00	76,887	2.13	240,687	2.84
Equipment Maintenance & Repair	5,038	4.95	20,879	6.08	27,546	3.96	89,187	5.71	144,108	3.98	248,010	2.92
Shop Supplies and Expense	4,301	4.22	10,481	3.05	16,323	2.35	41,861	2.68	89,572	2.48	102,563	1.21
Occupancy Cost	7,430	7.29	19,565	5.70	32,748	4.71	63,593	4.07	74,255	2.05	249,719	2.94
Bad Debt Expense	430	0.42	1,079	0.31	2,239	0.32	14,080	0.90	14,940	0.41	52,126	0.61
Office Supplies & Expense	1,169	1.15	4,272	1.24	8,760	1.26	20,462	1.31	29,821	0.82	65,454	0.77
Associations & Travel Expense	878	0.86	2,864	0.83	5,968	0.86	11,014	0.71	20,651	0.57	60,444	0.71
Legal & Accounting	1,806	1.77	2,336	0.68	5,517	0.79	8,162	0.52	12,627	0.35	46,225	0.55
Telephone & Other Communications	2,222	2.18	3,618	1.05	6,193	0.89	11,696	0.75	23,349	0.65	65,631	0.77
Automobile & Truck Expense	1,844	1.81	4,914	1.43	8,033	1.16	23,404	1.50	36,921	1.02	128,999	1.52
Insurance	6,051	5.94	11,307	3.29	16,699	2.40	44,276	2.84	51,523	1.42	137,301	1.62
Advertising & Promotion	3,861	3.79	10,199	2.97	18,537	2.67	28,297	1.81	42,325	1.17	73,725	0.87
Other Taxes	944	0.93	4,265	1.24	4,235	0.61	21,966	1.41	16,832	0.47	73,688	0.87
Interest	4,097	4.02	12,969	3.78	22,467	3.23	40,105	2.57	89,725	2.48	204,178	2.41
Franchise Fees	83	0.08	0	0.00	501	0.07	378	0.02	0	0.00	0	0.00
Depreciation, Non-Rental Equipment	559	0.55	7,228	2.10	11,325	1.63	25,222	1.62	37,399	1.03	92,149	1.09
Other Operating Expenses	1,692	1.66	2,478	0.72	10,036	1.44	35,839	2.30	233,536	6.45	113,413	1.34
TOTAL OPERATING EXPENSES	64,585	63.40	208,812	60.78	381,966	54.97	896,820	57.46	1,606,033	44.39	3,541,955	41.77
Operating Profit Before Rental Depr	14,693	14.42	43,578	12.68	82,648	11.90	187,536	12.02	315,055	8.71	821,809	9.69
Depreciation on Rental Equipment	14,737	14.47	24,478	7.13	49,761	7.16	126,754	8.12	249,566	6.90	445,056	5.25
OPERATING PROFIT	-44	-0.04	19,100	5.56	32,887	4.73	60,783	3.89	65,489	1.81	376,754	4.44
Other Income & Expense (Net)	132	0.13	2,883	0.84	2,393	0.34	11,344	0.73	43,673	1.21	10,063	0.12
NET INCOME BEFORE INCOME TAXES	88	0.09	21,982	6.40	35,280	5.08	72,127	4.62	109,162	3.02	386,817	4.56

TABLE III-6. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1985

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS												
Cash	4,208	3.30	17,377	6.84	24,759	5.14	61,711	6.53	93,234	4.29	134,881	2.92
Accounts Receivable (Net)	8,289	6.50	18,651	7.34	58,252	12.09	138,674	14.67	285,247	13.13	1,098,441	23.81
Merchandise Inventories	23,107	18.13	48,441	19.05	100,170	20.79	157,551	16.67	558,587	25.70	1,101,513	23.88
Marketable Securities	156	0.12	7,364	2.90	4,402	0.91	6,864	0.73	20,495	0.94	549	0.01
Prepaid Expenses	270	0.21	1,719	0.68	4,469	0.93	8,742	0.92	31,975	1.47	105,838	2.29
Supplies Inventory	5,896	4.63	486	0.19	945	0.20	2,265	0.24	15,210	0.70	22,677	0.49
Other Current Assets	289	0.23	1,174	0.46	7,146	1.48	31,861	3.37	36,853	1.70	17,247	0.37
Total Current Assets	42,214	33.12	95,212	37.45	200,141	41.53	407,668	43.12	1,041,601	47.93	2,481,145	53.78
Rental Equipment—Net Book Value	49,530	38.86	78,535	30.89	177,827	36.90	409,559	43.32	824,490	37.94	1,489,072	32.28
Other Fixed Assets—Net Book Value	11,491	9.02	66,940	26.33	93,523	19.41	116,971	12.37	240,548	11.07	520,672	11.29
Total Fixed Assets	61,021	47.88	145,474	57.22	271,350	56.31	526,530	55.70	1,065,038	49.01	2,009,744	43.56
Other Assets	24,217	19.00	13,537	5.32	10,379	2.15	11,159	1.18	66,549	3.06	122,481	2.65
TOTAL ASSETS	127,452	100.00	254,223	100.00	481,870	100.00	945,357	100.00	2,173,289	100.00	4,613,370	100.00
CURRENT LIABILITIES												
Accounts Payable	14,576	11.44	10,803	4.25	53,198	11.04	83,846	8.87	149,851	6.90	512,678	11.11
Current Notes Payable	8,562	6.72	22,870	9.00	74,613	15.48	143,467	15.18	510,188	23.48	921,130	19.97
Contracts Payable	39	0.03	44	0.02	3,914	0.81	27,185	2.88	78	0.00	93,219	2.02
Customers' Rental Deposits	360	0.28	1,522	0.60	1,649	0.34	1,422	0.15	1,406	0.06	4,719	0.10
Accrued Expenses	361	0.28	3,737	1.47	13,597	2.82	20,502	2.17	23,471	1.08	150,446	3.26
Taxes Payable	1,088	0.85	3,046	1.20	8,475	1.76	12,068	1.28	20,781	0.96	104,359	2.26
Other Current Liabilities	35	0.03	240	0.09	2,053	0.43	6,595	0.70	15,360	0.71	68,478	1.48
Total Current Liabilities	25,021	19.63	42,263	16.62	157,498	32.68	295,084	31.21	721,134	33.18	1,855,029	40.21
Long-Term Debt	78,684	61.74	96,815	38.08	159,898	33.18	233,841	24.74	521,887	24.01	1,177,820	25.53
Other Liabilities	9,820	7.70	14,327	5.64	16,005	3.32	23,158	2.45	55,137	2.54	85,717	1.86
Total Liabilities	113,525	89.07	153,405	60.34	333,401	69.19	552,083	58.40	1,298,158	59.74	3,118,566	67.60
Net Worth	13,927	10.93	100,819	39.66	148,469	30.81	393,274	41.60	875,031	40.26	1,494,805	32.40
TOTAL LIABILITIES & NET WORTH	127,452	100.00	254,223	100.00	481,870	100.00	945,357	100.00	2,173,189	100.00	4,613,370	100.00

SECTION IV. FINANCIAL DATA RELATED TO TYPE OF EQUIPMENT RENTED

Responding firms were placed into one of the three major rental categories—construction and industrial, general rental or medical-party—based upon the information shown on the survey forms. Descriptions of each category are shown on the first page of the survey form, reproduced on page 28.

Construction and Industrial Equipment

Profitability decreased for these firms in 1985. Return on investment decreased to 21.4 percent in 1985 compared to 25.2 percent in 1984, which was the highest return since 1979. This current year return is still considerably better than that of 1983 (16.2 percent).

Average income before taxes for these firms was $124,100 in 1985 compared with $127,600 in 1984 and $79,500 in 1983.

Comparisons with the previous year of major expenses as a percentage of gross operating profit show the largest increases in shop supplies and expense (.9 percent) and insurance (.7 percent). Labor costs were almost identical to 1984. The largest decrease was in interest expense, a continuing trend since 1982.

Net worth of these firms increased to 46.8 percent of total assets in 1985 from 44.8 percent in 1984. Current ratios increased slightly from 1.38 to one in 1984 to 1.41 to one in 1985. The ratios of rental revenues to rental investments for 1985 remained almost the same as in 1984. Average collection days dropped from 43 days in 1984 to 41 days in 1985.

Respondents increased from 146 in 1984 to 240 in 1985, by far the largest increase of any category.

General Rental

Return on investment dropped sharply from 23.4 percent in 1984 to 16.3 percent in 1985. Average net income before taxes per respondent was $34,700 in 1985 compared to $49,800 in 1984 and $31,700 in 1983.

Contributors to the lower profitability of these firms was a large increase in depreciation as a percentage of gross operating profit to 14.6 percent in 1985 versus 12.9 percent in 1984; an increase in shop supplies and expense to 4.2 percent from 3.2 percent in 1984; an increase in labor costs from 37 percent in 1984 to 37.6 percent in 1985; and an increase in insurance to 3.6 percent in 1985 from three percent in 1984.

The ratio of rental revenues to the cost of rental equipment decreased to .89 times in 1985 from .98 times in 1984.

Liabilities increased in 1985 for general rental firms resulting in an increase of the leverage ratio (liabilities ÷ net worth) from .96 to one in 1984 to 1.24 to one in 1985, with a corresponding decrease in the percentage of net worth to total assets to 44.7 percent in 1985 from 51 percent in 1984.

Average collection days rose from 26 in 1984 to 28 in 1985 continuing a trend from 1982.

Medical-Party

The number of respondents in this category increased from 19 in 1984 to 36 this year. Return on investment increased from 24 percent in 1984 to 24.9 percent in 1985; the only category to show an increase in 1985.

Comparisons with 1984 of major expenses as a percentage of gross operating profit show a large increase in labor costs of 2.7 percent, an increase of 1.3 percent in interest, and an increase of 2.1 percent in shop supplies and expense. Largest decreases were registered in occupancy cost (3.6 percent) and equipment maintenance and repair (2.8 percent).

Average collection days rose to 24 in 1985 from 18 in 1984. Current ratios decreased from 1.75 to one in 1984 to 1.46 to one in 1985. The ratio of rental revenues to equipment cost (before depreciation) decreased to 1.07 times in 1985 from 1.14 times in 1984.

The ratio of debt (total liabilities) to net worth rose substantially from .70 to one in 1984 to 1.19 to one in 1985.

Table IV-1 shows percentages of income and expenses as a percent of total income, and Table IV-2 shows percentages of balance sheet items as a percent of total assets. Table IV-3 contains key financial ratios for the years 1982-1985 for firms in the three categories.

TABLE IV—1. INCOME AND EXPENSE BY TYPE OF EQUIPMENT RENTED, 1985

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
Rental Income	59.20	71.36	73.54	
Merchandise & Equipment Sales	34.02	22.75	21.92	
Other Operating Income	6.77	5.89	4.54	
Total Operating Income	100.00	100.00	100.00	
Less Cost of Sales	26.68	16.23	12.03	
Gross Operating Profit	73.32	83.77	87.97	
OPERATING EXPENSES:				
Salaries & Wages	23.52	27.73	33.18	
Employee Benefits & Taxes	3.50	3.76	4.55	
Equipment Maintenance & Repair	6.31	6.29	2.74	
Shop Supplies & Expense	2.71	3.48	3.53	
Occupancy Cost	4.04	6.51	7.37	
Bad Debts Expense	0.93	0.81	0.47	
Office Supplies & Expenses	1.01	1.28	1.73	
Associations & Travel Expense	0.63	0.78	1.02	
Legal & Accounting	0.61	1.06	0.69	
Telephone & Other Communications	0.79	0.98	1.06	
Automobile & Truck Expense	1.55	1.50	3.37	
Insurance	2.27	3.02	2.61	
Advertising & Promotion	1.50	2.70	3.33	
Other Taxes	0.97	1.09	0.77	
Interest	2.78	3.28	2.48	
Franchise Fees	0.02	0.11	0.37	
Depreciation, Non-Rental Equipment	1.49	1.92	2.71	
Other Operating Expenses	2.30	2.22	1.39	
TOTAL OPERATING EXPENSES	56.93	68.50	73.36	
Operating Profit Before Rental Depr.	16.39	15.27	14.60	
Depreciation on Rental Equipment	10.10	10.32	8.29	
OPERATING PROFIT	6.29	4.95	6.31	
Other Income & Expense (Net)	0.64	0.45	0.42	
NET INCOME BEFORE INCOME TAXES	6.93	5.40	6.73	
NUMBER OF RESPONDENTS	240	237	36	

TABLE IV-2. BALANCE SHEETS BY TYPE OF EQUIPMENT RENTED, 1985

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
CURRENT ASSETS:				
Cash	5.73	5.17	9.41	
Accounts Receivable (Net)	16.09	10.34	10.93	
Merchandise Inventories	11.21	10.44	8.16	
Marketable Securities	0.74	1.40	0.28	
Prepaid Expenses	1.66	1.44	1.94	
Supplies Inventory	0.45	0.42	0.40	
Other Current Assets	2.05	2.61	1.98	
Total Current Assets	37.93	31.82	33.10	
Rental Equipment—Net Book Value	47.29	46.84	45.57	
Other Fixed Assets—Net Book Value	11.85	18.43	18.91	
Total Fixed Assets	59.15	65.27	64.48	
Other Assets	2.93	2.91	2.42	
TOTAL ASSETS	100.00	100.00	100.00	
CURRENT LIABILITIES:				
Accounts Payable	7.15	6.23	5.97	
Current Notes Payable	13.95	13.33	9.59	
Contracts Payable	1.16	0.81	1.75	
Customers' Rental Deposits	0.19	0.27	0.42	
Accrued Expenses	2.00	1.82	2.11	
Taxes Payable	1.58	1.47	1.75	
Other Current Liabilities	0.96	2.53	1.01	
Total Current Liabilities	26.99	26.47	22.61	
Long-Term Debt	24.47	25.41	26.83	
Other Liabilities	1.73	3.40	4.98	
Total Liabilities	53.18	55.27	54.41	
Net Worth	46.82	44.73	45.59	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	
NUMBER OF RESPONDENTS	240	237	36	

TABLE IV—3. FINANCIAL RATIOS BY TYPE OF EQUIPMENT RENTED, 1982-1985

Financial Ratio	Construction & Industrial				General Rentals				Medical-Party			
	1985	1984	1983	1982	1985	1984	1983	1982	1985	1984	1983	1982
Current Ratio	1.41	1.38	1.40	1.39	1.20	1.53	1.50	1.45	1.46	1.75	1.27	1.73
Acid Test Ratio	.84	.88	.90	.76	.64	.91	.93	.81	.91	1.16	.61	.94
Debt to Net Worth Ratio	1.14	1.23	1.02	1.24	1.24	.96	1.08	1.03	1.19	.70	.85	.83
Return on Investment	21.4%	25.2%	16.2%	11.7%	16.3%	23.4%	19.1%	9.7%	24.9%	24.0%	31.8%	17.1%
Return on Total Assets	10.0%	11.3%	8.1%	5.2%	7.3%	11.9%	9.2%	4.8%	11.3%	14.1%	17.2%	9.4%
Return on Revenues	6.9%	8.0%	6.1%	3.9%	5.4%	8.6%	6.5%	3.4%	6.7%	6.9%	8.4%	5.8%
Average Collection Period (Days)	41	43	42	37	28	26	23	21	24	18	22	17
Profits on Rental Investment	21.2%	24.3%	17.6%	12.2%	15.6%	26.3%	20.0%	9.9%	24.9%	27.0%	40.7%	24.5%
Total Revenues to Rental Investment	3.1	3.1	2.9	3.2	2.9	3.1	3.1	2.9	3.7	3.9	4.8	4.2
Rental Revenues to Rental Investment	1.8	1.9	1.9	2.0	2.1	2.3	2.4	2.1	2.7	2.9	3.1	2.8
Rental Revenues to Equipment Cost	.80	.81	.76	.82	.89	.98	.94	.87	1.07	1.14	1.11	.99
PERCENTS OF GROSS OPERATING PROFIT:												
Salaries & Wages	32.1	32.3	33.2	34.5	33.1	32.9	34.2	35.3	37.7	35.5	36.4	37.0
Employee Benefits	4.8	4.7	4.5	4.8	4.5	4.1	4.6	4.6	5.2	4.7	4.3	5.4
Total	36.9	37.0	37.7	39.3	37.6	37.0	38.8	39.9	42.9	40.2	40.7	42.4
Depreciation (All)	15.8	15.3	16.4	15.4	14.6	12.9	13.8	13.9	12.5	11.5	13.3	11.8
Occupancy Cost	5.5	5.8	5.5	5.6	7.8	8.0	8.3	8.3	8.4	12.0	8.0	9.7
Equipment Maintenance & Repair	8.6	8.9	8.6	7.8	7.5	7.6	7.8	7.6	3.1	5.9	4.0	4.9
Interest	3.8	4.1	4.5	5.7	3.9	3.7	3.5	4.5	2.8	1.5	2.5	3.3
Advertising & Promotion	2.0	2.1	2.2	2.3	3.2	3.3	3.5	3.2	3.8	4.2	3.7	4.3
Insurance	3.1	2.4	2.7	3.1	3.6	3.0	3.0	3.9	3.0	2.7	2.4	2.9
Shop Supplies & Expense	3.7	2.8	2.7	4.3	4.2	3.2	3.4	3.4	4.0	1.9	2.0	2.0
OPERATING PROFIT	8.6	10.2	6.8	4.2	5.9	9.8	6.8	2.9	7.2	8.0	10.4	6.5
NUMBER OF RESPONDENTS	240	146	134	153	237	211	204	195	36	19	25	33

FIGURE V-1. RETURN ON INVESTMENT
IN EACH A.R.A. REGION, 1985 & 1984

Table V-1 contains income and expense data by region, and Table V-2 presents balance sheet information. Key ratios for 1983-1985 for firms in each of the 10 regions are in Table V-3.

REGION 1: Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, Vermont
REGION 2: Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia
REGION 3: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee
REGION 4: Arkansas, Louisiana, Oklahoma, Texas
REGION 5: Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
REGION 6: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
REGION 7: Arizona, Colorado, New Mexico, Utah, Wyoming
REGION 8: Alaska, Idaho, Montana, Oregon, Washington
REGION 9: California, Hawaii, Nevada
REGION 10: Canada

TABLE V-1. INCOME AND EXPENSE BY REGION, 1985

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
Rental Income	43.34	66.14	53.48	66.86	48.36	60.22	67.79	71.67	68.36	64.30
Merchandise & Equipment Sales	53.48	28.01	43.94	26.28	47.13	33.52	24.42	22.05	25.20	22.49
Other Operating Income	3.18	5.85	2.58	6.86	4.51	6.25	7.79	6.28	6.45	13.20
Total Operating Income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Less Cost of Sales	38.46	20.26	30.71	20.44	39.34	25.44	21.81	16.07	18.75	16.47
Gross Operating Profit	61.54	79.74	69.29	79.56	60.66	74.56	78.19	83.93	81.25	83.53
OPERATING EXPENSES:										
Salaries & Wages	23.26	25.92	22.78	23.82	21.01	25.20	24.71	26.48	26.72	27.46
Employee Benefits & Taxes	4.48	3.91	2.71	2.97	2.98	3.36	4.15	4.62	4.21	2.43
Equipment Maintenance & Repair	2.58	4.83	6.51	6.75	3.04	6.04	7.40	7.32	7.87	6.09
Shop Supplies & Expense	1.59	3.02	2.25	3.46	1.54	3.06	3.06	2.51	3.57	3.25
Occupancy Cost	4.15	5.92	3.97	3.86	3.78	5.21	5.52	6.83	4.55	5.85
Bad Debts Expense	0.39	0.45	0.63	1.44	0.30	0.41	1.32	1.21	0.99	0.97
Office Supplies & Expenses	1.12	1.38	0.96	1.07	0.85	1.16	1.03	1.14	1.15	1.12
Associations & Travel Expense	0.65	0.64	0.83	0.61	0.61	0.58	0.67	0.90	0.68	0.78
Legal & Accounting	0.55	0.56	0.63	0.73	0.76	1.13	0.72	0.85	0.74	0.71
Telephone & Other Communications	0.84	0.98	1.03	0.79	0.80	0.96	0.66	0.76	0.80	1.06
Automobile & Truck Expense	1.41	2.26	1.54	1.77	1.01	0.95	1.10	1.53	1.52	2.73
Insurance	2.34	2.38	2.53	2.70	1.96	2.66	2.32	2.55	3.06	1.00
Advertising & Promotion	1.60	2.49	1.41	1.70	2.06	2.68	1.50	2.03	1.61	2.19
Other Taxes	0.31	1.03	0.96	1.08	1.12	0.63	1.22	1.41	1.16	0.39
Interest	1.21	3.25	2.79	3.49	2.09	2.61	3.21	3.12	2.98	3.10
Franchise Fees	0.32	0.10	0.08	0.03	0.08	0.02	0.02	0.01	0.02	0.00
Depreciation, Non-Rental Equipment	1.54	1.58	1.64	1.82	1.39	1.52	2.03	2.04	1.59	1.23
Other Operating Expenses	1.27	1.99	0.83	2.33	1.30	1.16	1.91	0.93	1.90	8.45
TOTAL OPERATING EXPENSES	49.63	62.70	54.08	60.42	46.69	59.34	62.55	66.24	65.12	68.80
Operating Profit Before Rental Depr.	11.92	17.03	15.21	19.14	13.96	15.22	15.64	17.69	16.13	14.73
Depreciation on Rental Equipment	5.96	10.08	9.71	13.39	8.24	10.63	9.13	15.91	9.76	7.12
OPERATING PROFIT	5.96	6.95	5.50	5.75	5.73	4.60	6.51	1.79	6.37	7.61
Other Income & Expense (Net)	-0.27	.28	0.49	0.26	0.64	0.97	0.55	1.31	0.88	0.62
NET INCOME BEFORE INCOME TAXES	5.69	7.23	5.99	6.01	6.37	5.57	7.06	3.10	7.25	8.23
NUMBER OF RESPONDENTS	42	56	48	47	61	45	49	38	89	38

TABLE V-2. BALANCE SHEETS BY REGION, 1985

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
CURRENT ASSETS										
Cash	9.31	7.04	7.24	4.59	4.01	4.28	6.88	7.57	6.25	2.65
Accounts Receivable (Net)	16.92	15.30	14.02	14.52	15.79	9.37	13.05	13.35	13.69	18.81
Merchandise Inventories	18.95	13.71	16.10	9.11	17.42	13.58	7.39	6.24	7.10	13.25
Marketable Securities	2.50	0.12	0.92	0.17	0.67	0.61	1.68	2.92	0.68	1.35
Prepaid Expenses	1.43	1.22	0.82	1.46	1.12	0.83	1.56	1.27	2.84	1.01
Supplies Inventory	0.14	0.16	0.13	1.44	0.33	0.25	0.37	0.06	0.13	0.21
Other Current Assets	0.99	1.62	1.97	1.16	1.56	4.47	0.53	2.92	4.12	1.16
Total Current Assets	50.24	39.17	41.20	32.46	40.89	33.39	31.46	34.34	34.82	38.45
Rental Equipment—Net Book Value	33.45	47.23	45.11	50.53	43.78	52.75	47.47	54.96	49.07	35.67
Other Fixed Assets—Net Book Value	11.88	9.64	10.98	13.98	11.98	10.77	19.08	8.85	13.52	22.96
Total Fixed Assets	45.33	56.86	56.09	64.50	55.76	63.52	66.55	63.81	62.59	58.63
Other Assets	4.43	3.97	2.71	3.04	3.35	3.09	1.99	1.85	2.59	2.92
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
CURRENT LIABILITIES										
Accounts Payable	13.91	8.08	6.40	5.59	6.56	3.97	6.23	5.01	5.30	14.35
Current Notes Payable	5.27	15.36	19.83	17.37	18.05	13.34	12.21	8.29	11.28	10.80
Contracts Payable	0.05	0.80	0.74	0.02	1.38	0.63	1.60	2.32	2.10	0.39
Customers' Rental Deposits	0.34	0.13	0.19	0.35	0.25	0.12	0.12	0.33	0.23	0.03
Accrued Expenses	3.21	1.70	1.44	1.76	1.94	1.62	2.50	2.20	1.96	1.78
Taxes Payable	1.11	1.68	1.14	1.21	1.69	1.58	1.72	1.34	1.67	2.17
Other Current Liabilities	1.00	1.34	0.15	1.48	1.39	5.06	0.47	0.48	0.64	3.06
Total Current Liabilities	24.88	29.10	29.89	27.78	31.25	26.33	24.86	19.96	23.18	32.56
Long-Term Debt	24.24	28.66	22.09	21.31	23.42	19.37	30.94	25.93	25.58	26.36
Other Liabilities	0.49	1.89	3.99	1.23	2.42	2.49	1.24	1.81	2.15	6.38
Total Liabilities	49.61	59.64	55.97	50.32	57.10	48.20	57.03	47.71	50.90	65.30
Net Worth	50.39	40.36	44.03	49.68	42.90	51.80	42.97	52.29	49.10	34.70
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NUMBER OF RESPONDENTS	42	56	48	47	61	45	49	38	89	38

TABLE V-3. FINANCIAL RATIOS BY REGION, 1983-1985

Financial Ratio	Northeast R-1			Eastern R-2			Southeast R-3			Southwest R-4			Great Lakes R-5		
	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Current Ratio	2.02	2.12	1.36	1.35	1.27	1.45	1.38	1.50	1.41	1.17	1.17	1.30	1.31	1.60	1.72
Acid Test Ratio	1.15	1.23	.92	.77	.85	.91	.74	.95	.81	.69	.82	.97	.65	.89	.76
Debt to Net Worth Ratio	.98	.95	1.24	1.48	1.41	1.58	1.27	1.07	1.01	1.01	1.18	.82	1.33	1.23	1.06
Return on Investment	22.6%	19.6%	28.7%	28.8%	37.5%	19.3%	22.1%	30.7%	20.1%	14.6%	17.2%	20.8%	22.6%	25.7%	9.0%
Return on Total Assets	11.4%	10.0%	12.8%	11.6%	15.5%	7.4%	9.7%	14.8%	10.0%	7.3%	7.9%	11.4%	9.7%	11.5%	4.4%
Return on Revenues	5.7%	5.4%	7.6%	7.2%	10.2%	4.8%	6.0%	11.0%	6.9%	6.0%	6.5%	10.8%	6.4%	6.3%	3.0%
Average Collection Period (Days)	31	32	34	35	33	37	31	38	33	44	35	36	38	41	37
Profits on Rental Investment	34.0%	30.1%	27.6%	24.6%	31.3%	15.2%	21.6%	31.9%	21.2%	14.4%	14.7%	22.3%	22.2%	33.0%	13.3%
Total Revenues to Rental Investment	6.0	5.6	3.6	3.4	3.1	3.2	3.6	2.9	3.1	2.4	2.3	2.1	3.5	5.2	4.5
Rental Revenues to Rental Investment	2.6	2.9	2.3	2.2	2.2	2.3	1.9	1.9	2.1	1.6	1.6	1.6	1.7	2.3	2.4
Rental Revenues to Equipment Cost	.99	1.12	1.00	.92	.85	.80	.85	.84	.82	.75	.76	.74	.76	.89	.88
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	37.8	36.4	36.2	32.5	30.7	34.1	32.9	30.7	34.6	29.9	30.5	29.2	34.6	34.8	37.4
Employee Benefits	7.3	6.0	6.0	4.9	4.7	4.9	3.9	3.5	5.0	3.7	4.9	4.4	4.9	5.7	5.4
Total	45.1	42.4	42.2	37.4	35.4	39.0	36.8	34.2	39.6	33.6	35.4	33.6	39.5	40.5	42.8
Depreciation (All)	12.2	12.1	12.3	14.6	14.6	13.5	16.4	15.9	15.8	19.1	19.2	20.5	15.9	12.4	15.3
Occupancy Cost	6.7	7.7	6.4	7.4	7.1	8.4	5.7	6.1	5.7	4.8	5.3	4.1	6.2	6.4	8.4
Equipment Maintenance & Repair	4.2	4.8	3.9	6.1	8.1	7.8	9.4	9.2	8.5	8.5	8.0	8.2	5.0	5.3	5.5
Interest	2.0	3.6	4.8	4.1	4.2	4.9	4.0	3.7	3.5	4.4	4.8	4.3	3.4	3.2	3.8
Advertising & Promotion	2.6	3.3	2.8	3.1	3.0	3.6	2.0	2.2	2.4	2.1	2.3	2.1	3.4	2.8	3.5
Insurance	3.8	3.3	3.2	3.0	2.7	3.0	3.7	2.8	2.8	3.4	2.8	2.9	3.2	2.5	3.0
Shop Supplies & Expense	2.6	3.7	2.6	3.8	3.2	2.3	3.2	2.6	2.8	4.3	2.9	2.4	2.5	2.3	2.1
OPERATING PROFIT	9.7	8.8	9.2	8.7	11.5	5.5	7.9	13.6	7.1	7.2	7.1	11.1	9.4	10.6	3.8
NUMBER OF RESPONDENTS	42	33	33	56	37	39	48	44	53	47	45	35	61	45	53

TABLE V-3. FINANCIAL RATIOS BY REGION, 1983-1985 (Continued)

Financial Ratio	Midwest R-6			Rocky Mountain R-7			Northwest R-8			Pacific R-9			Canada R-10		
	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Current Ratio	1.27	2.12	1.33	1.27	1.28	1.75	1.72	1.21	1.77	1.50	1.71	1.64	1.18	1.19	1.03
Acid Test Ratio	.54	.99	.65	.87	1.00	1.37	1.19	.67	1.17	.89	1.10	1.20	.70	.69	.59
Debt to Net Worth Ratio	.93	.70	.80	1.33	.74	.70	.91	1.37	1.11	1.04	.95	.76	1.88	1.87	2.16
Return on Investment	14.8%	20.6%	14.9%	22.0%	30.2%	16.8%	7.4%	26.5%	24.8%	21.7%	19.2%	13.1%	33.0%	30.2%	20.1%
Return on Total Assets	7.7%	12.1%	8.3%	9.4%	17.4%	9.9%	3.9%	11.2%	11.7%	10.6%	9.8%	7.5%	11.5%	10.5%	6.4%
Return on Revenues	5.6%	7.8%	5.9%	7.1%	13.3%	7.9%	3.1%	8.2%	8.2%	7.3%	7.0%	5.3%	8.2%	8.1%	4.0%
Average Collection Period (Days)	25	26	23	36	31	31	39	29	26	34	35	35	49	56	41
Profits on Rental Investment	14.6%	26.8%	15.6%	19.9%	34.3%	20.7%	7.1%	19.6%	24.8%	21.7%	19.7%	15.3%	32.1%	32.5%	18.5%
Total Revenues to Rental Investment	2.6	3.4	2.7	2.8	2.6	2.6	2.3	2.4	3.0	3.0	2.8	2.9	3.9	4.0	4.6
Rental Revenues to Rental Investment	1.6	1.8	1.8	1.9	2.1	2.2	1.6	1.7	2.2	2.0	2.1	2.1	2.5	2.8	2.7
Rental Revenues to Equipment Cost	.74	.83	.80	.95	.93	.81	.66	.81	.81	.87	.86	.79	.93	1.10	1.05
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	33.8	33.2	32.8	31.6	33.5	35.2	31.5	31.5	32.3	32.9	31.9	33.1	32.9	35.3	35.6
Employee Benefits	4.5	3.7	3.6	5.3	4.4	5.1	5.5	4.6	5.0	5.2	4.6	4.1	2.9	3.4	3.1
Total	38.3	36.9	36.4	36.9	37.9	40.3	37.0	36.1	37.3	38.1	36.5	37.2	35.8	38.7	38.7
Depreciation (All)	16.3	13.4	14.8	14.3	16.3	15.3	21.4	17.2	15.4	14.0	14.0	15.8	10.0	8.8	10.6
Occupancy Cost	7.0	7.0	6.3	7.1	5.4	6.5	8.1	8.0	7.4	5.6	6.9	6.5	7.0	9.4	8.6
Equipment Maintenance & Repair	8.1	6.3	8.8	9.5	9.3	9.9	8.7	9.5	7.7	9.7	11.0	9.8	7.3	8.3	7.8
Interest	3.5	3.5	3.4	4.1	2.8	3.1	3.7	4.5	3.8	3.7	3.1	3.7	3.7	4.8	4.8
Advertising & Promotion	3.6	3.8	3.5	1.9	1.8	2.3	2.4	2.5	2.8	2.0	2.2	1.9	2.6	2.9	3.5
Insurance	3.6	3.1	3.4	3.0	2.2	2.7	3.0	2.4	2.8	3.8	3.7	3.8	1.2	1.0	1.0
Shop Supplies & Expense	4.1	2.9	4.3	3.9	3.1	2.8	3.0	3.1	4.4	4.4	2.7	3.0	3.9	3.0	3.1
OPERATING PROFIT	6.2	10.4	6.5	8.3	14.9	8.1	2.1	8.2	8.6	7.8	7.7	5.5	9.1	9.9	4.8
NUMBER OF RESPONDENTS	45	42	34	49	37	32	38	26	29	89	32	26	38	35	29

COST OF DOING BUSINESS SURVEY

FOR CALENDAR YEAR 1985
(Or for the most recent fiscal year)

1. **TOTAL ANNUAL INCOME** (from all parts of your business, including sales). Check appropriate box:

   ☐ $000 to $200,000
   ☐ $200,001 to $500,000
   ☐ $500,001 to $1 million
   ☐ $1 million to $2½ million
   ☐ $2½ million to $5 million
   ☐ Over $5 million

2. **PROPORTION OF INCOME DERIVED FROM:**

   a. Rentals _____%
   b. Sales _____%
   c. Other _____%
   TOTAL 100 %

3. **TYPES OF EQUIPMENT RENTED:**

   It is very important that we be able to properly classify your business. The two parts of this question are intended to aid in classification.

   A. Please indicate the proportion of income from each category:

   (1) **CONSTRUCTION & INDUSTRIAL:** Air compressors/air tools/asphalt/bituminous equipment, compaction, concrete equipment, conveyors, cranes, generators/alternators, engines, pumps/hoses, sand blasting/steam cleaners, scaffolding/shoring equipment, tractors/earth moving equipment, welders, barricades, local/one-way system, trucks, campers, vacation trailers, car top carriers, utility trailers/hook-up accessories. _____%

   (2) **GENERAL RENTAL:** Small hand/electric tools, gasoline powered tools, home-owner equipment, household equipment, small air compressors/air tools, utility trailers/hook-up equipment, baby equipment, rollaway beds, reducing equipment, camping equipment, sports and recreational equipment, automotive, plumbing, painting, electrical tools, lawn/garden equipment, material handling equipment, furniture and office equipment, convention and exhibition equipment, clothes washers/dryers, refrigerators, cameras, audio-visual equipment, television sets, etc. _____%

   (3) **MEDICAL — PARTY:**
   Party Equipment: Tables, chairs, silver, glasses, linens, disposables, bars, rotisseries, costume rentals. _____%
   Medical Equipment: Wheelchairs, hospital beds, whirlpools, commodes, convalescent and sick room equipment of all kinds. _____% _____%

   TOTAL **100** %

   B. How do you classify your business? Please check only one category:

   1. Construction and Industrial _____
   2. General Rental _____
   3. Medical—Party _____

4. **LOCATION OF BUSINESS:** Identify **State** or **Province** where greatest proportion of income originates:

   _____

5. **NUMBER OF EMPLOYEES:** a. Full time _____ b. Part time _____

6. **AGE OF BUSINESS:** _____ years

7. **YARD AREA** _____ sq. ft.

8. **STORE AREA** _____ sq. ft.

Return To:
Browne, Bortz & Coddington
155 South Madison
Denver, Colorado 80209

EXPLANATIONS FOR INCOME & EXPENSE

ARA CHART OF ACCOUNTS NUMBER	
4100	**RENTAL INCOME** — all income directly related to rentals, including sub-rental commissions (net).
4800	**OTHER OPERATING INCOME** -- U-Haul commissions, delivery income, etc.
4370	**COST OF SALES** — Cost (or depreciated book value) of equipment and merchandise sold.
5120	**SALARIES & WAGES** — include owner's salary or proprietor's drawings. *All salaries and wages are to be shown here.*
5130	**EMPLOYEE BENEFITS** — include all payroll taxes (5140), group insurance, etc.
5200	**EQUIPMENT MAINTENANCE & REPAIRS** — do not include depreciation or salaries and wages.
5240	**SHOP SUPPLIES & EXPENSE** — do not include depreciation or salaries and wages.
5300	**OCCUPANCY COST** — include rent; utilities; real estate taxes; building maintenance, repair and supplies; and depreciation of buildings and amortization of leasehold improvements (if any).
5420	**BAD DEBTS EXPENSE** — reserve provision or direct charge-offs.
5440	**ASSOCIATIONS & TRAVEL EXPENSES** — include dues, subscriptions, conference and convention expenses.
5500	**AUTOMOBILE & TRUCK EXPENSE** — do not include depreciation or salaries and wages.
5600	**INSURANCE** — all business insurance, other than employee benefits.
6200	**OTHER TAXES** — other than income, payroll and real estate taxes. Include licenses.

EXPLANATIONS FOR BALANCE SHEET

1240	**MERCHANDISE INVENTORIES** — cost of merchandise and equipment held for resale.
1400	**OTHER FIXED ASSETS** — include land, buildings, leasehold improvements, vehicles, furniture and fixtures, and all equipment not shown at Item 1300 (rental equipment).
2130	**CURRENT NOTES PAYABLE** — notes due within one year and current installments of long-term debt.
2300	**LONG-TERM DEBT** — mortgages, notes and loans payable in more than one year, less current installments (above).
3000	**NET WORTH** — for a corporation — capital stock, paid-in surplus and retained earnings (less treasury stock, if any); for a proprietorship or partnership — capital accounts and current earnings, less drawings.